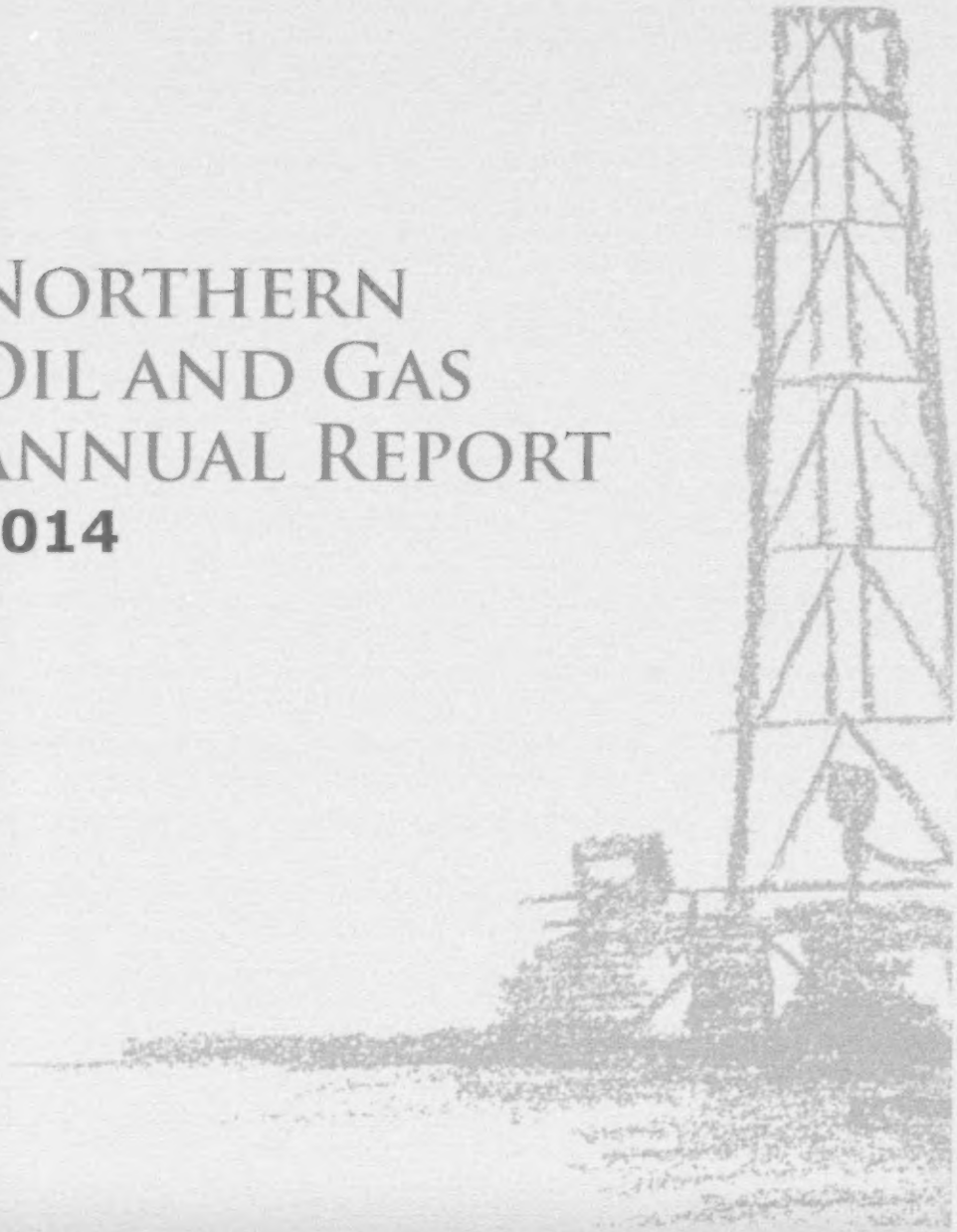
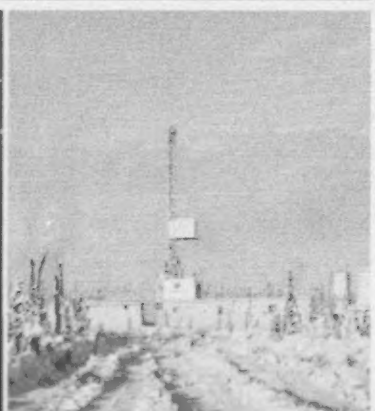
Aboriginal Affairs and Northern Development Canada
Affaires autochtones et Développement du Nord Canada

Northern Oil and Gas Annual Report 2014





Canada

Aboriginal Affairs and Northern Development Canada
Affaires autochtones et Développement du Nord Canada

Northern Oil and Gas Annual Report 2014

The management of oil and gas resources on Crown lands north of latitude 60° N is a federal responsibility administered by the Petroleum and Mineral Resources Management Directorate under federal legislation on behalf of the Minister of Aboriginal Affairs and Northern Development.

The *Canada Petroleum Resources Act* and its regulations govern the granting and administration of Crown exploration and production rights and set the royalty regime. The *Canada Oil and Gas Operations Act* governs the regulation of petroleum operations and associated benefits requirements. Land, royalty and benefit matters are managed by the Department on behalf of the Minister of Aboriginal Affairs and Northern Development while the National Energy Board is responsible for the approval of oil and gas operations.

Information on Northern petroleum resource management may be found at *www.aadnc-aandc.gc.ca/eng/1100100036087*.

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Cover photos from Northern Petroleum Resources image bank.

Message from the Honourable Bernard Valcourt, PC, MP
Minister of Aboriginal Affairs and Northern Development

I am pleased to table before Parliament the annual report on the administration of the *Canada Petroleum Resources Act* in the Northwest Territories, Nunavut and Northern offshore for the year ending December 31, 2014.

The Government of Canada continues to deliver on its Northern Strategy commitments. To that end, we continue to promote job creation and economic growth through Responsible exploration and development of oil and gas resources. Developing these natural resources in a responsible and environmentally sound manner remains a priority for Canada.

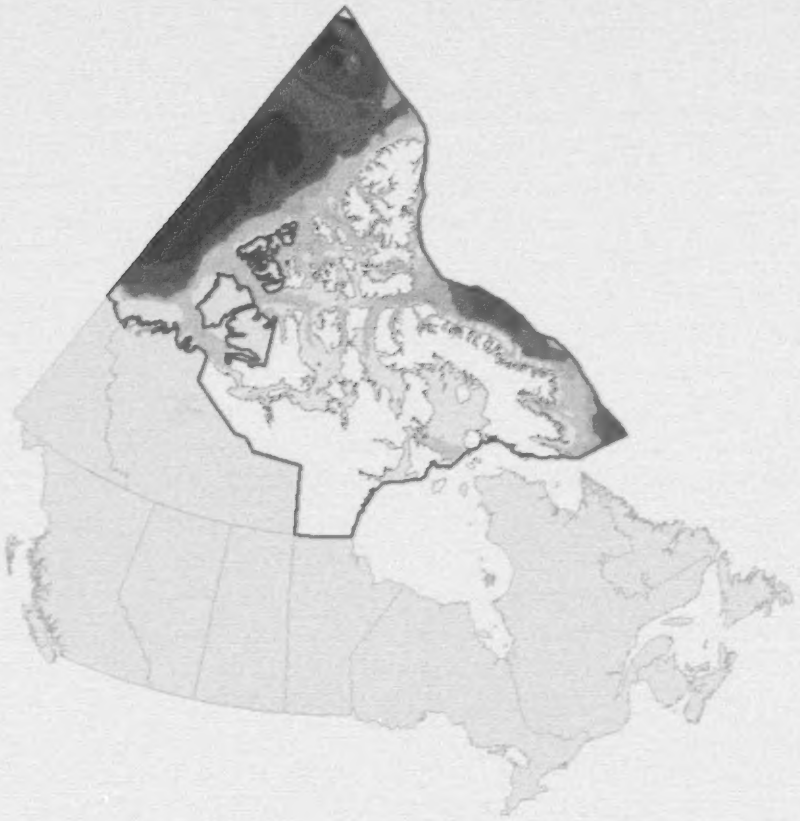
Private sector investment once again played an important role in the exploration and development of prospective oil and gas resources in the North in 2014. These investments benefit the local territorial and Canadian economies, both through direct and indirect employment, infrastructure creation and through the collection of royalties.

April 1, 2014 also saw the implementation of devolution of lands and resources to the Government of the Northwest Territories. This put onshore oil and gas management in the hands of the territorial government. With Northwest Territories devolution complete, territorial residents can now exercise greater control over their resources and decision making and have the tools to manage their economic and political futures.

Finally, throughout the year, Canada continued to collaborate with Northern partners to ensure sound environmental principles were practiced in the administration of oil and gas. For example, the Environmental Studies Research Fund provided assistance towards establishing these principles through financing environmental and social studies on oil and gas exploration and development.

I invite you to consult this report for further details on the exploration and development of Canada's Northern oil and gas resources over the past year.

The Honourable Bernard Valcourt
Minister of Aboriginal Affairs and Northern Development



Frontier Lands* under the administrative responsibility of the Minister of Aboriginal Affairs and Northern Development

* "Frontier lands" are defined under section 2 of the *Canada Petroleum Resources Act* R.S.C. 1985, c.36 (2nd Supp.), as amended April 1, 2014, as follows:

"frontier lands" means lands that belong to Her Majesty in right of Canada, or in respect of which Her Majesty in right of Canada has the right to dispose of or exploit the natural resources, and that are situated in

(a) that part of the onshore that is under the administration of a federal minister,

(b) Nunavut,

(c) Sable Island,

(d) the submarine areas in that part — of the internal waters of Canada or the territorial sea of Canada — that is not situated

(i) in a province other than the Northwest Territories, or

(ii) in that part of the onshore that is not under the administration of a federal minister, or

(e) the continental shelf of Canada,

but does not include the adjoining area, as defined in section 2 of the *Yukon Act*.

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Northern Oil and Gas Annual Report 2014

INTRODUCTION

Northern Canada comprises approximately 38% of Canada's remaining marketable resources of natural conventional gas, as well as 35% of the remaining conventional light crude[1]. Detailed information on the distribution of oil and gas resources in the North can be found in *Canada's Energy Futures* (*http://www.neb-one.gc.ca/nrg/ntgrtd/ftr/index-eng.html*) and also in *Northern Canada Distribution of Ultimate Oil and Gas Resources*[2] (*http://www.drummondconsulting.com/NCAN09Report.pdf*).

The management of oil and gas resources on Crown lands north of latitude 60° N in Nunavut, the Northern offshore, and federal areas of Northwest Territories is a federal responsibility exercised by the Minister of Aboriginal Affairs and Northern Development under the *Canada Petroleum Resources Act*.

On April 1, 2014, in accordance with the *Northwest Territories Land and Resources Devolution Agreement* and the *Northwest Territories Devolution Act*, the Government of Canada transferred the administration and control of public lands, resources and rights in respect of waters in the Northwest Territories to the Commissioner of the Northwest Territories. As a result, oil and gas rights deemed to be in the onshore, as defined by the *Northwest Territories Lands and Resources Devolution Agreement*, are now administered by the territorial government under the responsibility of the Minister of Industry, Tourism and Investment. The Norman Wells Proven Area, as well as certain specific sites, remain under federal jurisdiction.

[1] National Energy Board, *Canada's Energy Futures 2013*.

[2] These estimates do not include unconventional resources as no such estimate has been released by either the Geological Survey of Canada or the National Energy Board. As such, the full resource potential in many of Canada's Northern basins remains yet to be assessed.

OIL AND GAS MANAGEMENT

RIGHTS ISSUANCE

The Minister of Aboriginal Affairs and Northern Development provides industry with a regular opportunity, on a regular basis, to obtain exploration rights in Nunavut and the Northern offshore. Exploration rights are issued pursuant to the *Canada Petroleum Resources Act* following an open, competitive bidding process. In accordance with the provisions of land claim agreements, Aboriginal Affairs and Northern Development Canada consults Aboriginal communities and organizations on the terms and conditions of the issuance and related matters prior to rights issuance. Similarly, the Department consults and engages territorial governments and other federal departments with environmental knowledge. After consideration of this information, the areas open for exploration may be adjusted.

A Call for Nominations allows industry to specify lands of interest for inclusion in a subsequent Call for Bids process. Calls for Bids are open for the statutory minimum of 120 days and are published in Part I of the *Canada Gazette*. The rights issuance process is based on a single, quantifiable bidding criterion with rights going to the best bid. The Minister has authority to reject any and all bids. Currently, the bidding criterion for exploration licences is the work proposal bid, which is the total amount of money that the bidder proposes to spend doing exploratory work on the parcel within a specified period. The winning bidder is issued an exploration licence of up to nine years, comprising two periods. The exploration licence holder is expected to spend the dollar value of the work proposal bid during the first period of the licence and is required to drill at least one well in order to maintain tenure for the second period.

When exploration results in a petroleum discovery, an application may be made for a declaration of significant discovery. The declaration process, administered by the National Energy Board, confirms a hydrocarbon discovery which satisfies specific technical criteria and describes the extent of discovery. The significant discovery licence rewards exploration by allowing for indefinite tenure to the petroleum discovery, recognizing that some discoveries may not be immediately economic to produce. The issuance of a significant discovery licence for lands covering the extent of the discovery is possible either:

The significant discovery licence rewards exploration by allowing indefinite tenure to the petroleum discovery

a) upon application of the interest owner of an exploration licence subject to all or a portion of the significant discovery area, or

b) by award to the successful bidder following a Call for Bids in relation to all or a portion of the significant discovery area, when not subject to an exploration licence.

Once a developer has determined that a discovery is commercial and wishes to commence oil or gas production, legislation allows for application to the National Energy Board for a declaration of commercial discovery. Similar to the provisions for issuance of a significant discovery licence, issuance of a production licence is possible either:

a) upon application of the interest owner of an exploration licence or significant discovery licence subject to all or a portion of the commercial discovery area; or,
b) by award to the successful bidder following a Call for Bids in relation to all or a portion of the commercial discovery area.

A 25-year production licence is renewable so long as commercial production continues

A production licence has a term of 25 years which is renewable so long as commercial production continues. A company may proceed directly to commercial discovery and a production licence without the intervening step of obtaining a significant discovery licence.

Land dispositions and exploration licences as of December 31, 2014 are outlined in Table 1 and Table 2. Current oil and gas disposition maps are available on the Aboriginal Affairs and Northern Development Canada website at *www.aadnc-aandc.gc.ca/eng/1100100036125*.

Table 1: Land Disposition as of December 31, 2014

In hectares

Region	Exploration Licence	Significant Discovery Licence	Production Licence	Former Rights [1]	Total
Arctic Islands of Nunavut	0	332,882	0	0	332,882
Eastern Arctic Offshore	0	11,184	0	862,500	873,684
Hudson Bay [2]	0	0	0	126,376	126,376
Beaufort Sea	2,817,902	241,084	0	0	3,058,986
Norman Wells Proven Area	0	0	0	654	654
Total	2,817,902	585,150	0	989,530	4,392,582

By Interest Type (number of licences)

Region	Exploration Licence	Significant Discovery Licence	Production Licence	Former Rights [1]	Total
Arctic Islands of Nunavut	0	20	0	0	20
Eastern Arctic Offshore	0	1	0	30	31
Hudson Bay [2]	0	0	0	8	8
Beaufort Sea	16	48	0	0	64
Norman Wells Proven Area	0	0	0	6	6
Total	16	69	0	44	129

[1] Permits and/or leases issued under former legislative regimes and continued in force pursuant to subsection 112(2) of the *Canada Petroleum Resources Act*.

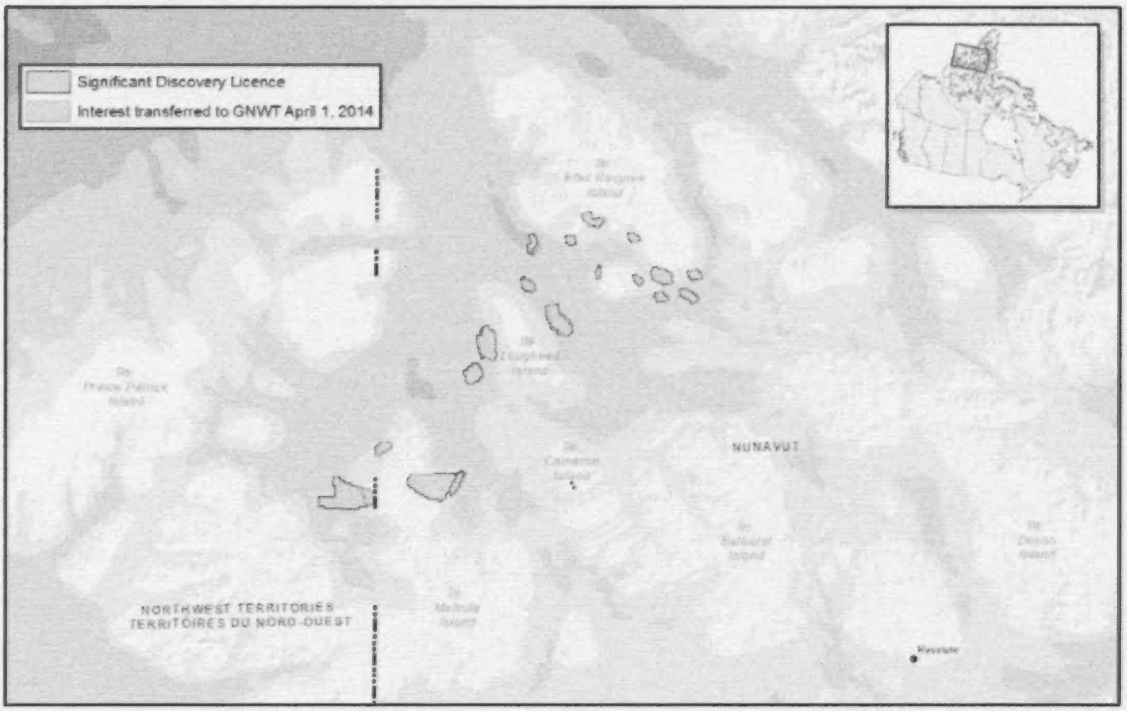
[2] Onshore permits on islands in northern Hudson Bay are under the jurisdiction of the Minister of Aboriginal Affairs and Northern Development Canada. Offshore permits in Hudson Bay (not included in this table) are under the jurisdiction of the Minister of Natural Resources Canada.

2014 CALL FOR BIDS

Arctic Islands of Nunavut

No Calls for Nominations or Bids were held in year 2014. The Arctic Islands of Nunavut region has been the subject of regular calls since 2000; however, there has been no industry uptake to these offers of rights to date. The region includes an inventory of undeveloped discoveries held under significant discovery licence, largely resulting from exploration in the 1970s.

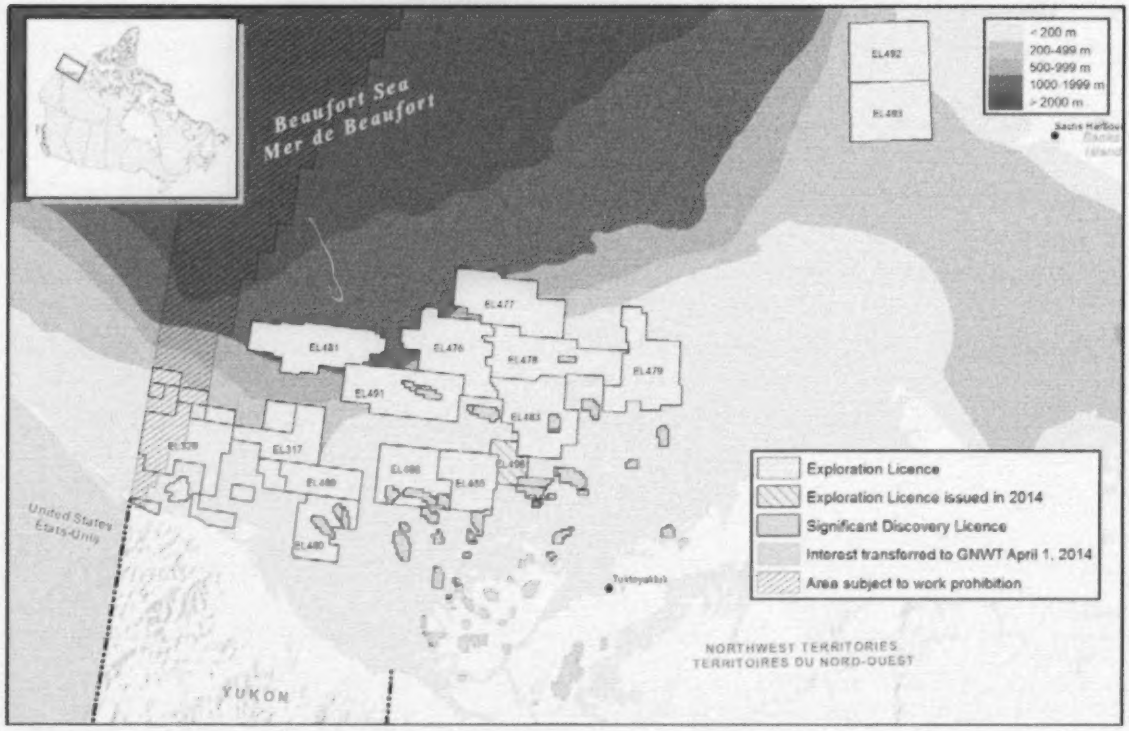
Figure 1: Map of Arctic Islands Region



Beaufort Sea

A Call for Bids closed on February 25, 2014 resulting in a single parcel in the shallow Beaufort Sea. An exploration licence was issued to Franklin Petroleum Canada Limited.

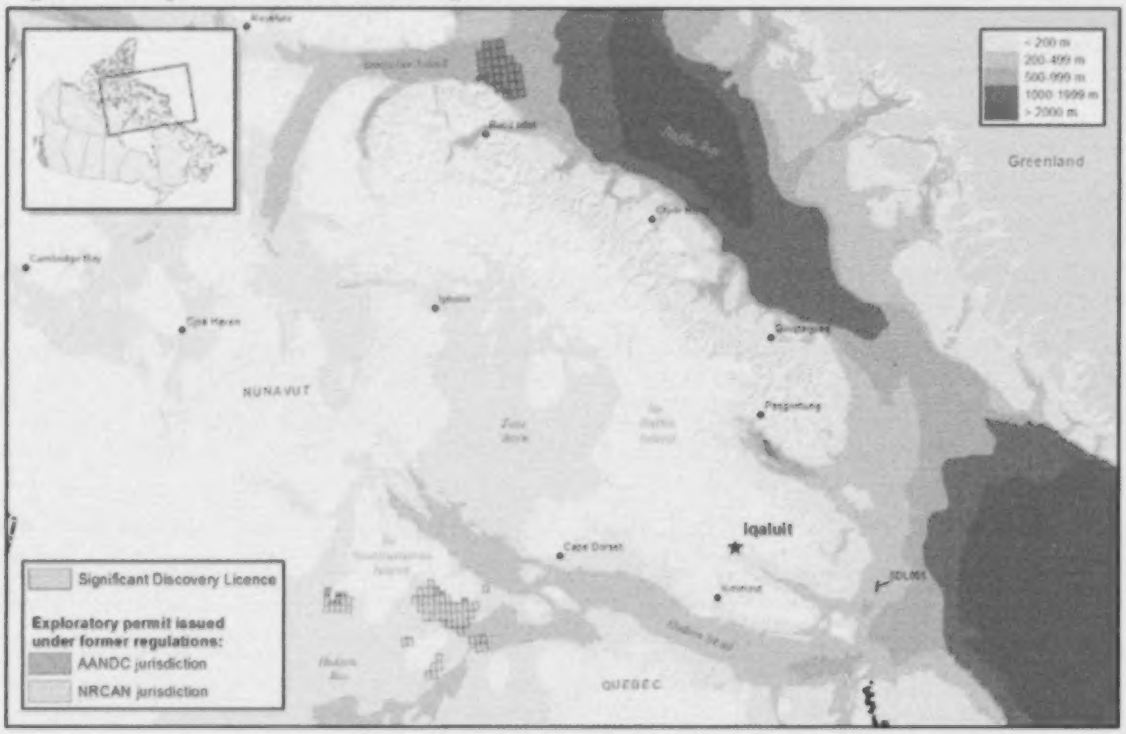
Figure 2: Map of Beaufort Sea Region



Eastern Arctic Offshore

The Eastern Arctic Offshore is not currently open for nominations. In 2014, discussions continued with Inuit organizations, federal and territorial governments, and relevant stakeholders to advance a strategic environmental assessment to support possible future decisions regarding issuance of exploration rights in the offshore area.

Figure 3: Map of Eastern Arctic Region

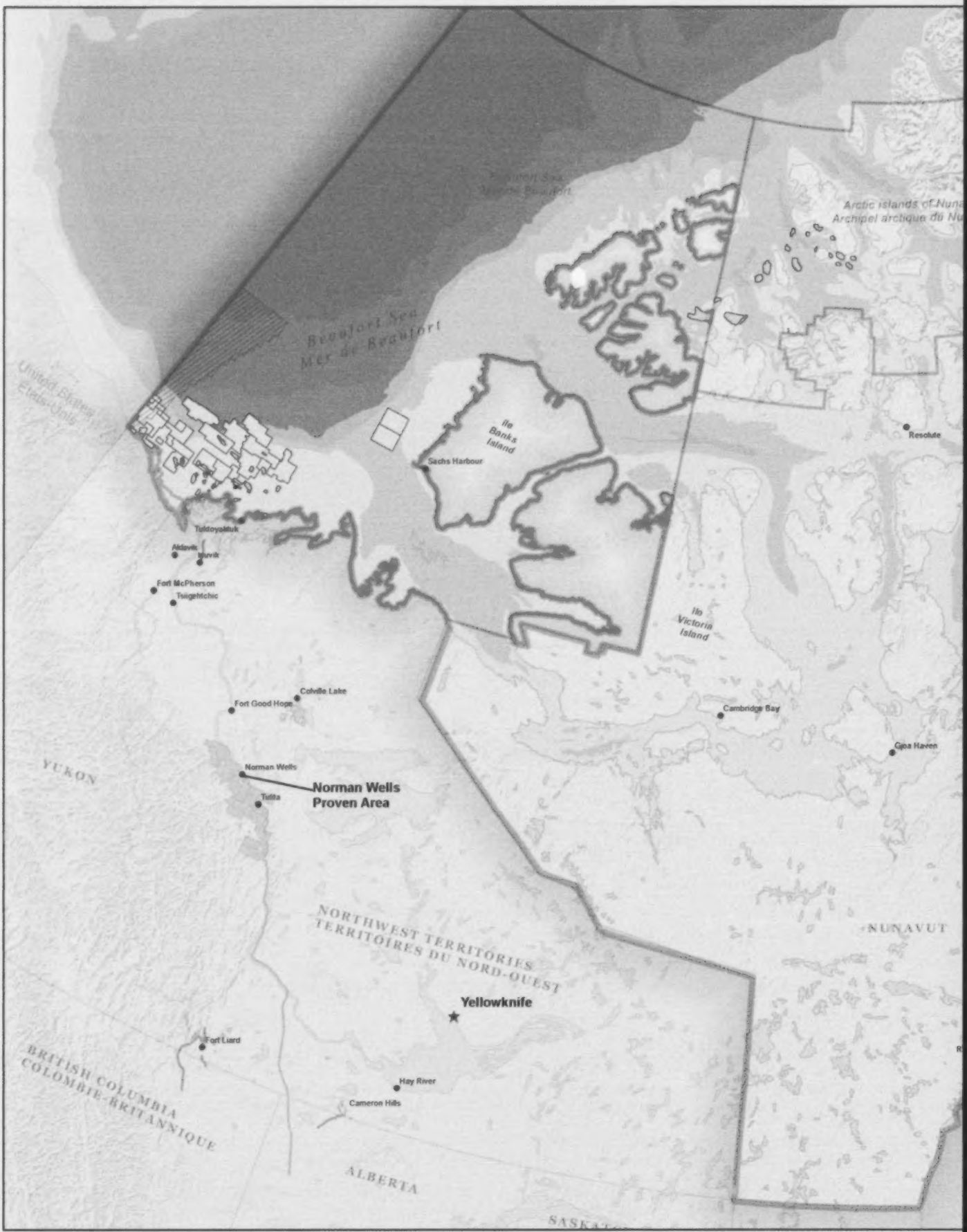


PUBLIC REGISTRY

The Department maintains a public registry of petroleum interests and instruments registered under Part VIII of the *Canada Petroleum Resources Act*. This is the official record of rights holders and any transfer of rights or change of ownership must be registered. Monthly registry activity reports are available at *www.aadnc-aandc.gc.ca/eng/1100100036878*.

A public registry of petroleum interests and instruments

Table 2 details exploration licences held as of December 31, 2014.


Beaufort Sea
Mer de Beaufort
Arctic Islands of Nuna
Archipel arctique du Nu
Banks Island
Île Banks
Sachs Harbour
Resolute
Tuktoyaktuk
Aklavik
Inuvik
Fort McPherson
Tsiigehtchic
Victoria Island
Île Victoria
Colville Lake
Fort Good Hope
Cambridge Bay
Gjoa Haven
YUKON
Norman Wells
Tulita
Norman Wells
Proven Area
NORTHWEST TERRITORIES
TERRITOIRES DU NORD-OUEST
NUNAVUT
Yellowknife
Fort Liard
BRITISH COLUMBIA
COLOMBIE-BRITANNIQUE
Hay River
Cameron Hills
ALBERTA

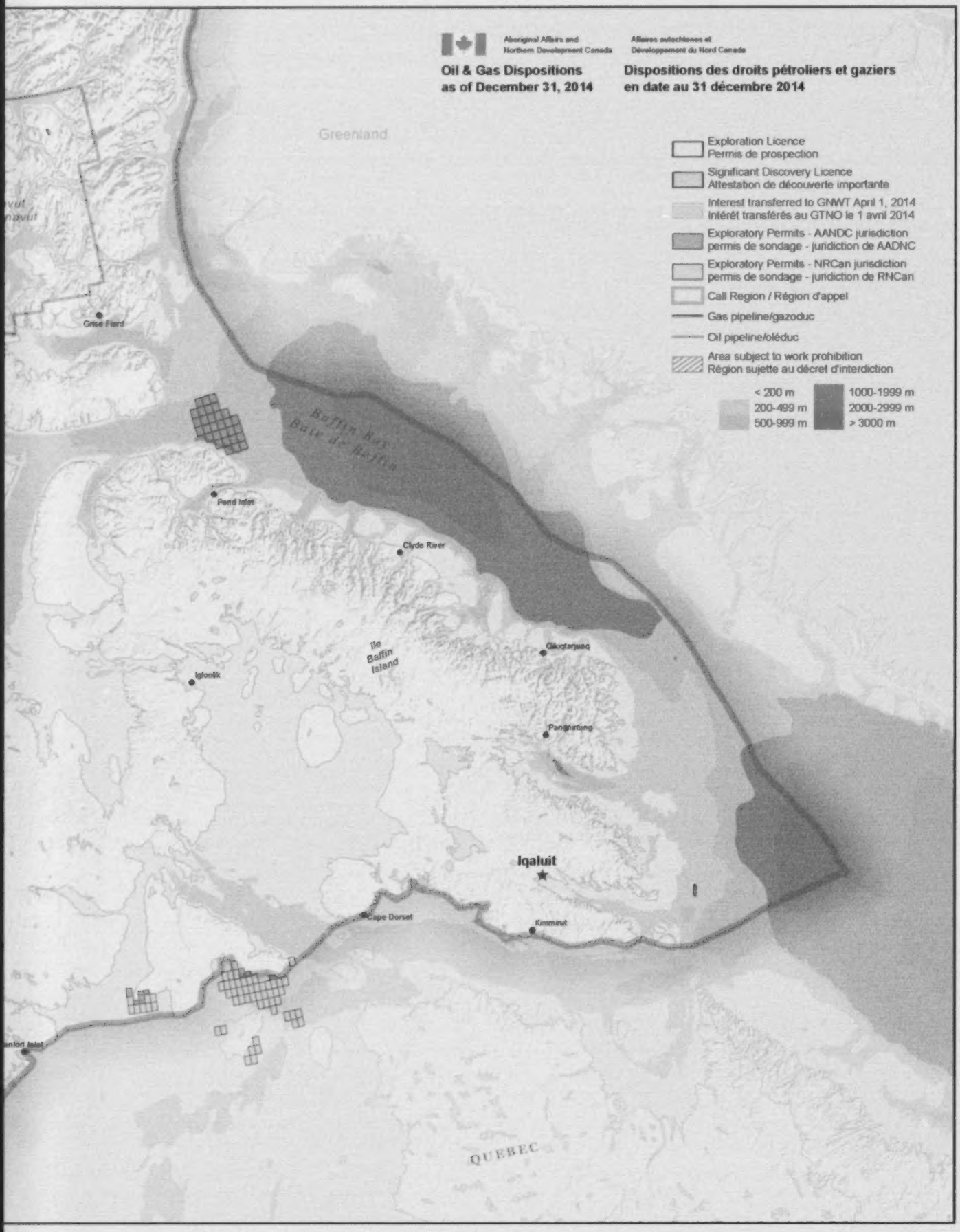

Aboriginal Affairs and Northern Development Canada
Affaires autochtones et Développement du Nord Canada
Oil & Gas Dispositions as of December 31, 2014
Dispositions des droits pétroliers et gaziers en date au 31 décembre 2014
Greenland
Exploration Licence
Permis de prospection
Significant Discovery Licence
Attestation de découverte importante
Interest transferred to GNWT April 1, 2014
Intérêt transférés au GTNO le 1 avril 2014
Exploratory Permits - AANDC jurisdiction
permis de sondage - juridiction de AADNC
Exploratory Permits - NRCan jurisdiction
permis de sondage - juridiction de RNCan
Call Region / Région d'appel
Gas pipeline/gazoduc
Oil pipeline/oléduc
Area subject to work prohibition
Région sujette au décret d'interdiction
< 200 m
200-499 m
500-999 m
1000-1999 m
2000-2999 m
> 3000 m
Grise Fiord
Baffin Bay
Baie de Baffin
Pond Inlet
Clyde River
Île Baffin Island
Igloolik
Qikiqtarjuaq
Pangnirtung
Iqaluit
Cape Dorset
Kimmirut
QUEBEC

Table 2: Exploration Licences as of December 31, 2014

Licence	Area (ha)	Representative [1]	Effective Date	End of Period 1 [2]	Expiry Date	Work Proposal Bid (in $) [3]
Beaufort Sea						
EL317 [4]	175,810	Talisman Energy Inc.	5 Oct 1986	N/A	N/A	N/A
EL329 [4]	339,434	BP Canada Energy Development Company	5 Sep 1987	N/A	N/A	N/A
EL476	205,321	Imperial Oil Resources Ventures Limited	1 Sep 2012	31 Jul 2017	31 Jul 2019	585,000,000
EL477	202,380	Imperial Oil Resources Ventures Limited	1 Sep 2012	30 Sep 2018	30 Sep 2020	1,180,100,000
EL478	205,359	BP Exploration Operating Company Limited	1 Sep 2012	30 Sep 2018	30 Sep 2020	15,100,000
EL479	203,635	BP Exploration Operating Company Limited	1 Sep 2012	30 Sep 2018	30 Sep 2020	1,100,000
EL480	108,185	Chevron Canada Limited	1 Sep 2012	31 Oct 2015	31 Oct 2019	1,010,100
EL481	205,946	Chevron Canada Limited	1 Sep 2012	31 Aug 2019	31 Aug 2021	103,300,000
EL483	196,497	ConocoPhillips Canada Resources Corp.	1 Sep 2012	30 Sep 2018	30 Sep 2020	2,543,896
EL485	120,814	Franklin Petroleum Canada Limited	1 Sep 2012	31 Aug 2019	31 Aug 2021	1,000,000
EL488	134,142	Franklin Petroleum Canada Limited	6 Mar 2013	5 Mar 2020	5 Mar 2022	1,251,088
EL489	93,483	Franklin Petroleum Canada Limited	6 Mar 2013	5 Mar 2018	5 Mar 2022	1,251,088
EL491	201,101	Franklin Petroleum Canada Limited	6 Mar 2013	5 Mar 2020	5 Mar 2022	1,251,088
EL492	187,200	Franklin Petroleum Canada Limited	6 Mar 2013	5 Mar 2020	5 Mar 2022	1,251,088
EL493	190,650	Franklin Petroleum Canada Limited	6 Mar 2013	5 Mar 2020	5 Mar 2022	1,251,088
EL496	47,945	Franklin Petroleum Canada Limited	1 Jun 2014	31 May 2021	31 May 2023	1,000,000

[1] These representatives are current as of December 31, 2014.

[2] Period 1 may be extended by means of a drilling deposit or through amendment to the licence.

[3] Work Proposal Bids rounded to the nearest dollar.

[4] Under work prohibition order P.C. 1987-2265 pursuant to section 12 of the *Canada Petroleum Resources Act*.

TRANSFER OF OIL AND GAS RIGHTS TO THE GOVERNMENT OF THE NORTHWEST TERRITORIES

On April 1, 2014, in accordance with the *Northwest Territories Land and Resource Devolution Agreement* and the *Northwest Territories Devolution Act*, the Government of Canada transferred the administration and control of public lands, resources and rights in respect of waters in the Northwest Territories to the Commissioner of the Northwest Territories.

The transfer in support of Devolution included 127 existing oil and gas rights located within the onshore (as defined by the *Devolution Agreement*) of the Northwest Territories; these rights are detailed in Table 3. This transfer of oil and gas rights included 15 exploration licences which are detailed in Table 4.

Also included in the transfer were 23 production licences: two in the Mackenzie Delta and 21 in the southern Northwest Territories. The oil and gas leases associated with Norman Wells field in the Central Mackenzie Valley were excluded from the transfer and remain under federal jurisdiction.

Eight oil and gas leases associated with the Pointed Mountain gas field northwest of Fort Liard were also included in the transfer to the Government of the Northwest Territories. This field has not produced since 2001.

A total of 81 significant discovery licences were transferred to the Government of Northwest Territories. Of these, eleven significant discovery licences straddle the onshore and the offshore as defined in the *Devolution Agreement*. On April 1, 2014, each of these eleven significant discovery licences were divided into two licences: one licence for that portion located in the onshore, to be administered by the Government of the Northwest Territories; and one licence for that portion located in the offshore, to remain under federal jurisdiction. All other terms and conditions remain the same.

Table 3: Oil and Gas interests transferred to the Government of the Northwest Territories on April 1, 2014

In hectares

Region	Exploration Licence	Significant Discovery Licence	Production Licence	Former Rights[1]	Total
Arctic Islands of Nunavut	0	10,719	0	0	10,719
Mackenzie Delta	0	116,031	3,423	0	119,454
Central Mackenzie Valley	1,280,375	52,725	32,842	0	1,365,942
Southern Northwest Territories	0	65,729	0	21,107	86,836
Total	1,280,375	245,204	36,265	21,107	1,582,951

By Interest Type (number of licences)

Region	Exploration Licence	Significant Discovery Licence	Production Licence	Former Rights[1]	Total
Arctic Islands of Nunavut	0	1	0	0	1
Mackenzie Delta	0	38	2	0	40
Central Mackenzie Valley	15	11	21	0	47
Southern Northwest Territories	0	31	0	8	39
Total	15	81	23	8	127

[1] Permits and/or Leases issued under former legislative regimes and continued in force pursuant to subsection 112(2) of the *Canada Petroleum Resources Act*.

Table 4: Exploration Licences transferred to the Government of the Northwest Territories on April 1, 2014

Licence	Area (ha)	Representative [1]	Effective Date	End of Period 1 [2]	Expiry Date	Work Proposal Bid (in $) [3]
EL455	80,240	MGM Energy Corp.	5 Jan 2011	4 Jan 2016	4 Jan 2020	1,699,990
EL466	82,100	MGM Energy Corp.	15 Jan 2011	9 May 2012	9 Jul 2016	5,487,626
EL467	87,948	Shell Canada Limited	20 Dec 2011	19 Dec 2016	19 Dec 2020	18,296,208
EL468	87,117	Shell Canada Limited	20 Dec 2011	19 Dec 2016	19 Dec 2020	18,098,660
EL469	26,533	Shell Canada Limited	20 Dec 2011	19 Dec 2016	19 Dec 2020	7,049,269
EL470	87,495	ConocoPhillips Canada Resources Corp.	20 Dec 2011	19 Dec 2016	19 Dec 2020	66,712,035
EL471	88,848	Imperial Oil Resources Ventures Limited	20 Dec 2011	19 Dec 2016	19 Dec 2020	21,500,003
EL472	90,632	Imperial Oil Resources Ventures Limited	20 Dec 2011	19 Dec 2016	19 Dec 2020	21,500,003
EL473	82,643	MGM Energy Corp.	20 Dec 2011	19 Dec 2016	19 Dec 2020	1,512,122
EL474	86,602	MGM Energy Corp.	20 Dec 2011	19 Dec 2016	19 Dec 2020	1,502,503
EL475	85,288	MGM Energy Corp.	20 Dec 2011	19 Dec 2016	19 Dec 2020	2,021,213
EL486	69,649	Shell Canada Limited	18 Dec 2012	17 Dec 2017	17 Dec 2021	76,864,864
EL487	84,504	Shell Canada Limited	18 Dec 2012	17 Dec 2017	17 Dec 2021	15,276,444
EL494	174,782	Husky Oil Operations Limited	29 Aug 2013	29 Aug 2016	29 Aug 2020	376,000,000
EL495	65,994	International Frontier Resources Corporation	16 Mar 2014	15 Mar 2019	15 Mar 2023	1,200,000

[1] These representatives were current as of March 31, 2014.

[2] Period 1 may be extended by means of a drilling deposit or through amendment to the licence.

[3] Work Proposal Bids rounded to the nearest dollar.

FINANCIAL ADMINISTRATION OF INTERESTS

The Department holds financial security deposits with respect to exploration licences; these deposits are refundable to interest holders under certain conditions. Revenues from the administration of interests include three sources in general: forfeitures, non-refundable rentals, and fees.

Forfeitures

Following a Call for Bids for exploration licences, successful bidders are required to post 25% of the work proposal bid as security against the performance of work. This deposit is referred to as the work deposit. The work deposit is refundable as expenditures are incurred within Period 1

of the licence term. Since work deposits represent 25% of the total work proposal bid, refunds are likewise prorated on the basis of 25% of the allowable expenditures incurred. Any work deposit balance remaining at the end of Period 1 is forfeited.

In order to meet the work requirement, Period 1 may be extended yearly by posting a drilling deposit (currently one million dollars) before the end of the last year of Period 1. A drilling deposit will be refunded in full if the licence is validated by the drilling of a well as required to obtain tenure for Period 2. If a validation well is not drilled or has not been commenced within the one year extension, the drilling deposit will be forfeited upon the termination of the licence at the end of Period 1.

Rentals

Period 2 of an exploration licences carries rental obligations. Period 2 rentals are also refundable as expenditures are incurred at the rate of one dollar refund for one dollar of allowable expenditure. The Department also collects non-refundable rentals from the Norman Wells Proven Area leases as well as oil and gas leases issued under the *Canada Oil and Gas Land Regulations*. These are payable annually, in advance of the anniversary date of the leases.

Fees

Pursuant to section 15 of *Frontier Lands Registration Regulations*, various fees for services are payable, such as for the issuance of new exploration licences, registration of instruments or provision of copies of abstracts.

Table 5 outlines revenues from administration of interests in 2014.

Table 5: Revenues from Administration of Interests ($) 2010-2014

	2010	2011	2012	2013	2014
Forfeitures [1]	770,372	25,784,658	1,631,597	50,000	599,830
Non refundable rentals [2]	61,127	53,195	53,195	53,195	11,219
Fees [3]	16,872	35,487	43,497	8,832	5,520
Total	848,371	25,873,340	1,728,289	112,027	616,569

[1] Forfeiture revenues result when the conditions associated with bid deposits, drilling deposits, work deposits or rentals are not met.

[2] Norman Wells Proven Area leases issued under the *Canada Oil and Gas Land Regulations* which are continued in force pursuant to subsection 114(4) of the *Canada Petroleum Resources Act*.

[3] Issuance fees and fees for service (section 15 of the *Frontier Lands Registration Regulations*).

Pursuant to the *Northwest Territories Land and Resource Devolution Agreement*, on April 1, 2014, the Government of Canada transferred the administration and control of certain public lands, resources, and rights to the Government of the Northwest Territories. This included the transfer of financial security deposits and revenues associated with these lands totaling $150,566,786.

BENEFITS

Subsection 5.2 of the *Canada Oil and Gas Operations Act* and section 21 of the *Canada Petroleum Resources Act* require that a Benefits Plan be approved by the Minister of Aboriginal Affairs and Northern Development before authorization of any oil and gas work or activity, or approval of a development plan relating to a pool or field on frontier lands in Nunavut, the Northwest Territories, and in the Arctic offshore.

A Benefits Plan represents a documented commitment by a company to provide employment to Canadians and full and fair opportunity to Canadian businesses. A Benefits Plan should include a detailed description of the proposed project as well as the major components, activities and milestones; supporting maps, tables and figures; and time frames. As such, Benefits Plans ensure that exploration and development activities create training and employment for the local and regional labour force and opportunities for local and regional businesses to provide goods and services.

In particular, the companies are encouraged to give first consideration to local northern Aboriginal and other northern residents and businesses.

In 2014, one Benefits Plan, submitted by Multi Klient Invest AS to conduct a 2D marine seismic exploration in the eastern Arctic offshore, was reviewed and approved.

ENVIRONMENTAL CONSIDERATIONS

Environmental Studies Research Fund

The Environmental Studies Research Fund (ESRF) is a provision of the *Canada Petroleum Resources Act*, and is funded through levies applied to oil and gas lands held by companies under licence. In 2014, the ESRF Management Board approved the allocation of $615,000 in new funding for ongoing research studies in the North, in the Beaufort Sea and Mackenzie Delta Regions. These environmental studies are related to the exploration, development and production of oil and gas resources on frontier lands. The Minister approved the budget for these northern studies, based upon the recommendations of the Board. More details on ESRF, including annual reports and publications can be found at *www.esrfunds.org*.

Beaufort Regional Environmental Assessment

The Beaufort Regional Environmental Assessment (BREA) continued to build regional knowledge and information in support of its goals of ensuring preparedness for offshore oil and gas activities in the Beaufort Sea. Research and working group progress and results were shared through meetings in the Inuvialuit Settlement Region and through reports and other publications. In 2014, the program saw ongoing participation and engagement of stakeholders, representing Inuvialuit, industry, and government organizations. Issues related to oil spill

preparedness and response, socio-cultural and economic indicators, and cumulative effects were advanced. More details on BREA, including reports and publications can be found at: *www.beaufortREA.ca*.

ROYALTIES

The *Canada Petroleum Resources Act* governs the setting and collecting of royalties in respect of petroleum produced from frontier lands. The *Frontier Lands Petroleum Royalty Regulations* prescribe the royalty rates, the calculation, reporting and associated interest or penalties.

Three fields produced oil and/or gas in the Northwest Territories in 2014: the Ikhil gas field on the Mackenzie Delta, the Norman Wells oil field in the Central Mackenzie Valley and the Cameron Hills field southwest of Hay River in the southern Northwest Territories. Production from the Pointed Mountain gas field northwest of Fort Liard continues to be suspended. There are no producing fields in Nunavut or in offshore Arctic waters.

The Ikhil gas field lies on Inuvialuit Lands and continues to be administered by Canada behalf of the Inuvialuit in accordance with the *Inuvialuit Final Agreement*. Canada's responsibility to collect and remit royalties to the Inuvialuit continues after April 1, 2014, pursuant to the terms of the *Northwest Territories Land and Resource Devolution Agreement*. These royalties are not reported here.

On April 1, 2014, in accordance with the *Northwest Territories Land and Resource Devolution Agreement*, the Government of Canada transferred the administration and control of public lands, resources and rights in respect of waters in the Northwest Territories to the Commissioner of the Northwest Territories. Accordingly, as of April 1, 2014, the Government of the Northwest Territories is responsible for the collection and assessment of petroleum resource royalties associated with the Cameron Hills project.

Pursuant to the *Northwest Territories Land and Resource Devolution Agreement*, the Norman Wells Proven Area remains under federal jurisdiction. Aboriginal Affairs and Northern Development Canada continues to collect petroleum royalties associated with the Norman Wells Proven Area and remits such royalties to the Government of the Northwest Territories.

The total amount of royalties received and retained by Canada in the first quarter of the 2014 calendar year is $2,839,648.

Table 6: Royalties ($) Received 2010-2014

2010	2011	2012	2013	2014
15,762,287	11,652,548	9,992,786	10,046,685	2,839,648 [1]

Note: Royalty from the Ikhil field is not included. Ikhil lies on Inuvialuit Lands and is administered on behalf of the Inuvialuit pursuant to section 7(94) of the *Inuvialuit Final Agreement*. Pursuant to the terms of the *Devolution Agreement* after the transfer date of April 1, 2014, Aboriginal Affairs and Northern Development Canada continues to administer the collection of royalties from the Ikhil gas field and remittance of these gas royalties to the Inuvialuit.

[1] Figures for 2014 only include royalties collected from January to March 2014 for Norman Wells and Cameron Hills. Effective April 2014, any royalties for Cameron Hills project are collected by the Government of the Northwest Territories. Aboriginal Affairs and Northern Development Canada continues to collect royalties from the Norman Wells field and remit these royalties to the Government of the Northwest Territories.

AUDITS AND ASSESSMENTS

The Department manages a risk-based audit and royalty assessment program, where royalty submissions are regularly monitored, periodically reviewed and selected for audits. The audit objective is to obtain reasonable audit assurance that the sales revenues and expenses claimed on the monthly oil and gas production were reported accurately in the computation of royalties paid to the Crown.

Two new audits were undertaken in 2014.

FURTHER INFORMATION

PETROLEUM AND MINERAL RESOURCES MANAGEMENT DIRECTORATE

Website: *www.aadnc-aandc.gc.ca/eng/1100100036087.*

To obtain further information, please contact appropriate individuals below by phone or in writing.

Mailing address:
Petroleum and Mineral Resources
Management Directorate
Aboriginal Affairs and Northern
Development Canada
Ottawa ON K1A 0H4

Courier only:
Petroleum and Mineral Resources
Management Directorate
Aboriginal Affairs and Northern
Development Canada
10 Wellington Street
Gatineau QC K1A 0H4
Telephone: 819-953-2087
Fax: 819-953-5828

Information on the resource management regime, Calls for Nominations and Bids, and other related information: Manager, Land Tenure – Telephone: 819-953-8722

Information on licence registration procedures and regulations, transfers and notices: Registrar – Telephone: 819-997-0048

Information on Petroleum and Mineral Resources Directorate maps, and geographic information system (GIS) data: Geomatics Officer – Telephone: 819-934-9394

Information on northern exploration history and geological/geophysical activities: Petroleum Geologist – Telephone: 819-994-6416

Information on royalty policy and royalty submissions:
Manager, Fiscal Policy and Royalty Administration – Telephone: 819-953-3267

Information on Benefits Plan requirements for Nunavut and Northern offshore:
Policy Analyst – Telephone: 819-953-2087

OTHER SOURCES OF INFORMATION

National Energy Board

The Operations Business Unit regulates the exploration, development and production of hydrocarbon resources in non Accord frontier lands under the *Canada Petroleum Resources Act*, the *Canada Oil and Gas Operations Act*, and the *National Energy Board Act*.

The Frontier Information Office provides access to maps, technical information, geological and geophysical reports, well history reports and records.

National Energy Board
444 Seventh Avenue SW
Calgary AB T2P 0X8
Telephone: 403-292-4800

Website: *www.neb.gc.ca/*

Geological Survey of Canada

The Geological Survey of Canada Calgary provides public viewing and sampling facilities for cores and samples, and information on wells drilled north of 60 at its offices at:

Geological Survey of Canada Calgary
3303-33rd Street NW
Calgary AB T2L 2A7
Telephone: 403-292-7000

Information on geosciences in the Baffin Bay – Davis Strait region is available from:

Geological Survey of Canada Atlantic
Bedford Institute of Oceanography
PO Box 1006
Dartmouth NS B2Y 4A2